

ENTERPRISE ZONE TAX BENEFIT

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

Facilitate the expansion of new or existing businesses in Missouri's 66 enterprise zones.

AUTHORIZATION

Sections 135.200 to 135.258, RSMo.

HOW THE PROGRAM WORKS

State income tax credits are provided to a business based on the number of new jobs and amount of new investment created at the qualifying facility. The business may earn credits based on the facility's new jobs and investment, the number of zone residents and "special" employees hired and trained for the facility.

There is a possible income exemption, partial tax credit refund, and property tax abatement on improvements to real property provided certain requirements are met.

The credits are provided each tax year for up to a ten-year period after the project commences operations. Each enterprise zone has a different expiration date for the income tax credits.

ELIGIBLE AREAS

The eligible project must be located in one of Missouri's 66 enterprise zones. Zones are certified by the Department of Economic Development (DED) based on demographic eligibility and approval of a request by the local governments. The statutes limit the number of zones that may be authorized.

ELIGIBLE APPLICANTS

Eligible projects include facilities primarily engaged in manufacturing, warehousing, wholesale distribution, mining, insurance, research and development, recycling operations, computer-related services, and certain office

activities. The business must have created at least 2 new jobs and \$100,000 new investment (\$1,000,000 for replacement facilities) at the project site. Facility eligibility is determined by its primary Standard Industrial Classification (SIC) code as designated by the Division of Workforce Development.

ELIGIBLE USE OF TAX CREDITS

The business may reduce its total Missouri income tax by up to 100%, depending on whether it operates other Missouri facilities; the more jobs and investment created at the qualifying facility, the more Missouri income tax the earned credit can offset.

APPLICATION PROCEDURE

Effective January 1, 1999, the business must submit a form letter of intent (pre-application) to DED at least 15 days prior to commencement of facility operations in order for the project to be eligible.

The business must submit Missouri Form 135 with Schedules S and M the year immediately following the tax period the project commenced operations. The DED reviews the application, determines eligibility, and if the project is eligible, issues the tax credit certification to the Department of Revenue authorizing the taxpayer to claim the credits.

The application, guidelines and other program information is available at www.missouridevelopment.org/business/economicassistancecenter

APPROVAL METHOD

The credits are based on the original cost of new machinery, equipment, furniture, fixtures, land and building, and/or eight times the annual rental rate paid for the same. Inventory is not eligible.

FUNDING LIMITS

The tax credits are earned each tax period for up to a 10-year period, depending on the zone's expiration date. Possible tax credits include:

- \$400 for each new job created at the project;
- 2% of the new capital investment over \$100,000 created at the project;
- \$400 for each zone resident employee (prorated on 365 days);
- \$400 prorated on 365 days for each "special" employee hired (person must be unemployed for at least 90 days when hired, or eligible for AFDC or the General Relief program);
- \$400 per employee trained, who is a zone resident or was unemployed for 90 days when hired;
- Up to \$75,000 refund of unused credits earned by new facilities only; and
- At least a 50% abatement for at least 10 years on improvements made to real property used for manufacturing, mining, warehousing, or wholesale distribution. Abatement may be offered to other types of companies if the facility creates at least 50 new full-time jobs.

SPECIAL PROGRAM REQUIREMENTS

Credits may be applied to Chapter 143, excluding withholding taxes imposed under 143.191 to 143.261, or 148, RSMo (insurance companies and banks). If the taxpayer is an S-corporation or partnership, the individual shareholders or partners may take the credits on business income only.

There are no carry-forward provisions. Credits are re-earned each tax year for up to 10 years, depending on the life of the enterprise zone.

CONTACT

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OTHER INFORMATION SOURCES OF DED

- Web site: www.missouridevelopment.org
- E-mail: ecodev@ded.state.mo.us

MISSOURI ECONOMIC ASSISTANCE CENTER

provides program summaries on resources that are available through the Department of Economic Development that maybe of assistance to your business or community. Visit the web site at

www.missouridevelopment.org/business/economicassistancecenter

MISSOURI LOCATION ONE is an internet-based searchable system that shows available buildings and sites across Missouri. This system allows location consultants and company owners to evaluate Missouri communities from across the nation quickly and at no cost. This system can be accessed at www.missouridevelopment.org and clicking on business.

The DIVISION OF WORKFORCE DEVELOPMENT

One-Stop Career Centers offers workforce development assistance to job seekers and employers. By using the State's network of One-Stop Career Centers, customers can access America's Job Bank, seek referral and placement assistance, career counseling and testing, labor market information and use MISSOURI WORKS! an Internet based, self-service workforce development tool. Visit their web site at

www.missouridevelopment.org/employment/workforcedevelopment

MISSOURI MARKETPLACE offers information on thousands of Missouri-made products and services designed to encourage both in-state and out-of-state businesses and consumers to buy Missouri-made products. Registration is free and open to any Missouri-based company. To search the database or register your company, visit: www.missourimarketplace.org